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## BEFORE THE ARIZONA CORPORATION COMMISSION

2001 MAY 25 2 15 PM '01

Arizona Corporation Commission

DOCKETED

MAY 25 2001

DOCKETED BY

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CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF  
AJO IMPROVEMENT COMPANY FOR AN  
INCREASE IN ITS PURCHASED POWER  
AND FUEL ADJUSTMENT CLAUSE RATE

Docket No. E-01025A-01-0341

## SUPPLEMENT TO APPLICATION

Ajo Improvement Company ("AIC") supplements its application in this docket as follows:

1. AIC filed its application in this docket on April 20, 2001. Due to the significant potential increase in the power charges to its customers, AIC was sensitive to the need to inform its customers of the filing of the application and the impact on electric charges.

2. To inform its customers, AIC directly mailed a letter to each customer on April 20, 2001. This letter was sent by itself to all 1,035 of AIC's customers and was not included simply as a bill insert. A copy of the letter is attached as *Exhibit 1*.

3. AIC also issued a press release on April 20, 2001, concerning the application and its potential impact on customers. A copy of the press release is attached as *Exhibit 2*.

4. On April 25, 2001, the local Ajo paper, the Ajo Copper News, ran an article on AIC's application and its potential impact on customers. A copy of the article is attached as *Exhibit 3*.

5. Although the letters to customers contained a local phone number to call


ROSHKA HEYMAN & DEWULF, PLC  
TWO ARIZONA CENTER  
400 NORTH 5TH STREET - SUITE 1000  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

1 if customers had questions, AIC has received only four inquiries to date about the potential  
2 PPFA increase. The only other public reaction AIC is aware of is attached as *Exhibit 4*.

3  
4 May 25, 2001.

5 Respectfully submitted,

6 AJO IMPROVEMENT COMPANY

7  
8 By   
9 Michael W. Patten  
10 ROSHKA HEYMAN & DEWULF, PLC  
11 Two Arizona Center  
12 400 North 5th Street, Suite 1000  
13 Phoenix, Arizona 85004  
14 phone 602/256-6100

15 **ORIGINAL** and 10 **COPIES** filed  
16 May 25, 2001, with:

17 Docket Control  
18 ARIZONA CORPORATION COMMISSION  
19 1200 West Washington Street  
20 Phoenix, Arizona 85007

21 **COPIES** hand-delivered May 25, 2001, to:

22 Janice Alward, Esq.  
23 Legal Division  
24 ARIZONA CORPORATION COMMISSION  
25 1200 West Washington Street  
26 Phoenix, Arizona 85007

27 Ronald Ludders  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007



**AJO IMPROVEMENT COMPANY  
P.O. DRAWER 9  
AJO, ARIZONA 85321**

April 20, 2001

Dear Ajo Improvement Company Electric Customer:

Ajo Improvement Company (AIC) today filed an application with the Arizona Corporation Commission (ACC) to increase its Purchased Power and Fuel Adjuster, which is a mechanism to allow AIC to adjust its electric rates in response to changes in wholesale electricity costs. If granted, electric rates to our residential, commercial and municipal customers will increase to offset extraordinary and unexpected increases in wholesale power costs we have experienced since early last year. This increase would become effective upon ACC approval.

If approved by the Commission, electric rate for all customers would increase from 6.765 cents per kilowatt-hour to 11.232 cents per kWh. Monthly service charges, such as the \$5.20 charged for residential service, will not increase. The average Ajo residential customer using 427 kWh of electricity per month will experience an average monthly bill increase from \$34.08 to \$53.16. The proposed rate, although higher, will be similar to rates charged by other electric service providers in the area and in the Southwest.

Since January 2000, AIC's cost for electricity purchased on the wholesale energy market increased approximately 140 percent. The proposed rate adjustment will bring our projected revenues in balance with our costs for providing service, however, it will not cover an existing deficit that has grown to more than \$1 million in the past year. We will work with the ACC staff to develop a reasonable and appropriate plan to address the deficit in the future.

Under this same Purchased Power and Fuel Adjustment Clause, AIC customers received a *refund* and rate *reduction* in January 1997 as a result of favorable wholesale electricity market. While we are not optimistic that the current energy issues facing California and the western U.S. will be resolved quickly, we are committed to doing everything reasonably possible to manage costs associated with providing you with reliable electricity service.

If you have any questions, please don't hesitate to call me at 520-387-7151.

Sincerely,

Ron Smith  
Staff Accountant

**AJO IMPROVEMENT COMPANY  
P.O. DRAWER 9  
AJO, ARIZONA 85321**

## **News Release**

For Release: April 20, 2001  
Contact: Bruce Richardson  
(602) 234-8351

**AJO IMPROVEMENT COMPANY APPLIES FOR PURCHASE POWER RATE  
INCREASE WITH ARIZONA CORPORATION COMMISSION**

AJO, Ariz. – Ajo Improvement Company (AIC) today announced it has applied for a rate adjustment with the Arizona Corporation Commission (ACC) seeking relief from unusually high wholesale power costs.

The Purchased Power and Fuel Adjustment Clause in tariffs approved by the ACC allows the company to apply for price adjustments to account for unexpected swings in wholesale electricity or fuel costs. Since January 2000, AIC's cost for electricity purchased on the wholesale energy market increased approximately 140 percent.

If approved, electricity rates for AIC customers would increase from 6.765 cents per kilowatt-hour to 11.232 cents per kWh. The monthly service charge, such as the \$5.20 charged residential customers, will not change. A residential customer using the average of 427 kWh of electricity per month will experience a monthly bill increase from \$34.08 to \$53.16. The increased fuel adjustment charge would take effect upon ACC approval.

"Unfortunately, the California energy crisis has hurt our ability to buy low-cost power on the wholesale market. Because Ajo's electric load is relatively small, we have been unable until recently to secure an economical firm-power contract," said Dawn Meidinger, president, AIC. She said a recently negotiated, long-term, wholesale power contract "largely removes AIC's exposure to the volatile wholesale market and provides stability during this period of energy uncertainty. But even this contract came at a much higher cost than we've experienced in the past several years," she said.

"Despite the challenges we've faced in the energy arena, the proposed new rates still remain competitive to those found locally and around the state," Meidinger said.

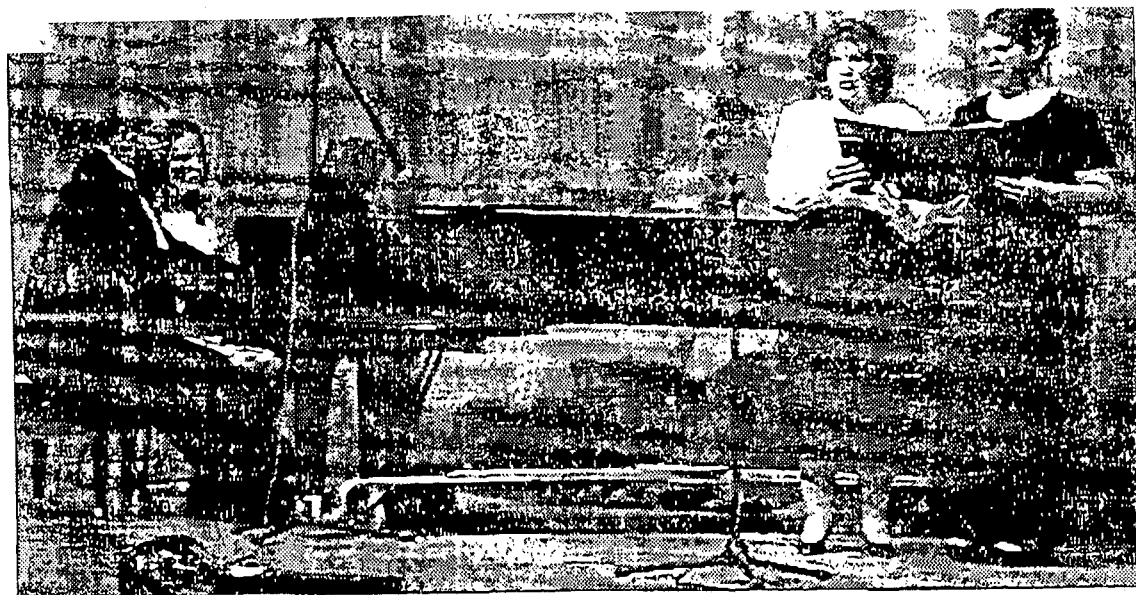
- more -

## Rate Adjustment ADD 1-1-1

The proposed rates, coupled with the recently negotiated firm power contract, will bring AIC's projected revenues into balance with the costs for providing future service to its 1,030 residential, commercial and municipal customers. The rate adjustment, however, will not cover an existing deficit that has grown to more than \$1 million in the past year. "We will work with the ACC staff to develop a reasonable and appropriate plan to address the deficit," Meidinger said.

Ajo Improvement Company, a wholly owned subsidiary of Phelps Dodge Corporation, was established in 1916 to provide water and electric services to the New Cornelia copper mine and residents and businesses in Ajo.

###



Joel Berresford, Esther Lewis, Mary Anne Fout, and Judy Salcido performed at the Bobby Poole Memorial Scholarship Recital on Saturday, April 21, at Dicus Auditorium. Lue Martinez was also a performer but Elizabeth Keefe, who was listed on the program, was unable to perform due to a medical problem.

"It truly touched my heart," said audience member Morgan McBride. "I was all teary-faced."

Over \$400 was collected for student scholarships. Anyone who wants to donate to the fund may contact Coozie McBiles at the high school, 387-7601, or mail a donation in care of the school to P.O. Box 69, Ajo, AZ 85321.

## Ajo Improvement Company wants a rate increase 4/25/01

The Ajo Improvement Company (AIC) has applied for a rate adjustment with the Arizona Corporation Commission (ACC) seeking relief from unusually high wholesale power costs.

The Purchased Power and Fuel Adjustment Clause in tariffs approved by the ACC allows the company to apply for price adjustments to account for unexpected swings in wholesale electricity or fuel costs. Since January 2000, AIC's cost for electricity purchased on the wholesale energy market increased approximately 140%.

If approved, electricity rates for AIC customers would increase from 6.765¢ per kilowatt-hour (kWh) to 11.232¢ per kWh. The monthly service charge will not change.

A residential customer using an average of 427 kWh of electricity per month will experience a monthly bill increase from \$34.08 to \$53.16. The increased fuel adjustment charge would take effect upon ACC approval.

The proposed rate adjustment will bring AIC's projected revenues into balance with the costs for providing future service to its 1,030 customers, according to president Dawn Meidinger. The

proposed adjustment is needed because the company has been unable to buy low-cost power on the wholesale market and, until recently, had not had an economical firm-power contract.

She added that "The rate adjustment will not cover an existing deficit that has grown to more than \$1 million in the past year." She said the company will work with ACC to develop a reasonable and appropriate plan to address the deficit.

Ajo Improvement Company, a wholly owned subsidiary of Phelps Dodge Corporation, was established in 1916 to provide water and electric services to the New Cornelia copper mine and residents and businesses in Ajo.

## Honors banquet will be May 1

The annual AHS Honors Banquet, sponsored by the Ajo Rotary Club, will be held on Tuesday, May 1, at 6 p.m. at the LDS Church.

Groups awarding scholarships are reminded they need to notify Dan Morales at Ajo High School, 387-4062, of who their scholarship winners will be to ensure the

## Help is needed to organize for 4th of July

As the traditional 4th of July celebration becomes more and more of a cooperative community event, more volunteers are needed to help get everything organized.

Steve Rainey is hoping that a few people will show up for a meeting to help set up the 4th of July activities. The meeting will be held on Thursday, April 26, at 5:30 p.m. in the Copper Kettle.

Anyone with questions should contact Rainey at Ron's Foodliner, 387-3566.

Rainey also noted that applications for 4th of July booths will be available at his grocery store.

### EXHIBIT 3

Recreation Angel Ortiz Baseball League is looking for volunteers, sponsors, and community support.

"I think it's great that Ortiz baseball is back," organizer Margot Bissell body loved it the last time and it would be a shame to disappear again."

League managers are responsible for duties of managers, making sure the team shows up on time so they can start on time, and track of equipment and uniforms. Managers will be in close communication with recreation

## Health center and district boards to meet

The Desert Senita Community Health Center board will meet Wednesday, April 25, in the conference room at the Desert Community Health Center conference room at 6:15 p.m.

The Ajo-Lukeville service District board will meet immediately following the DSHC meeting.

## Vet will be in Ajo Thursday, April 26

Dr. Bonnie Lilley of the Ajo Veterinary Service will be in Ajo on Thursday, April 26, from 10 a.m. to 2 p.m. A veterinarian will do checks and vaccination but no surgery.

She will work from Morrow's boarding kennel for directions, fees, and information. Contact Morrow at 387-387-7464. No reservations necessary and clients will be on a first come first served basis.



addition to the Ajo community the past five years but will soon be leaving to work for Southeastern Acute Care Specialists in Rocky Mount, North Carolina. He and his wife Jenna Rae felt the time was right to look for areas of professional growth, as Steve wants to pursue emergency medicine and Jenna Rae may return to school, perhaps in a nursing or teaching program.

"We're very excited about the move," said Migdon. "Rocky Mount will be a neat place for the kids to grow up, a place where they can experience the four seasons. We'll be within three hours of the nation's capitol, Myrtle Beach, and historic Williamsburg. I'll rake leaves and help the kids build a treehouse."

Migdon noted there were a lot of mixed emotions involved in the decision. "I came to Ajo right out of school and the people in this town embraced me from Day One. I got my first job here, met my wife and got married here, even got my first pair of boots here. This place will always be like home to us and we will definitely come back and visit every year."

Looking back over his time spent in Ajo, Migdon displayed satisfaction. "I feel I've made a contribution to the community," he said. "I think I've made it a better place, the clinic, the town, and the Ajo Community Players. Driving out of town will not be easy."

## Team Roping

Two rounds of jackpot team roping were held on Saturday, April 28, at Doyle's Arena.

In the first round of 44 teams, Owen Juan and Alex Lopez placed first with a time of 40.55. In second place were Steve Espinoza and Owen Juan with a time of 8.70.

In the second round of 54 teams, Arcenio Montijo and Alex Lopez placed first with a time of 25.68. In second place were Owen Juan and Rubin Manuel with a time of 14.87.

The next jackpot roping at Doyle's Arena will be held on Saturday, May 5, at 6 p.m.

## What's Happening?

Ajo District  
Chamber of Commerce  
To be listed call 387-7742

Monday, May 7

School Music Concert. Dicus Auditorium, 7 p.m. Free.

Wednesday, July 4

Fourth of July Festival in the Plaza. Sponsored by Ron's Foodliner, American Citizens Social Club, Ajo Chamber of Commerce.

October (date to be announced)

Ballet Folklorico El Cobre.

Fri & Sat, October 26 & 27

Ajo Community Players presents *Steel Magnolias* in the Curley School Auditorium.

# NOTICE

Ajo Improvement Co. Elect. Customers  
Call the Corporation Commission 1-800-345-5818 and stop this high rate increase. Tell them you are:

- (1) Retired and on fixed income.
- (2) Small Business suffering from loss of snow birds
- (3) Low Income People

MAY 2, 2001

EXHIBIT 4

## Carpet Cleaning!

Cars, Trucks, RV's  
Other Services Available  
Call Mark 387-3577

- Must live in uninc
- Home must be ow
- Both conventiona
- Other restrictions

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32 N. Ston

## An important regarding your

You may be eligible for discount from the Desert Senita Comm prescription medications from you have insurance or are on M

If your annual income is within the an services that are not covered by your i your deductible, are available on a slid include:

- Routine and Urgent Pl
- Lab
- X-ray
- Pharmacy
- General Dental Servic

To qualify, your income must be:

1 person household	Less th
2 person household	Less th
3 person household	Less th
4 person household	Less th
5 person household	Less th
6 person household	Less th
7 person household	Less th
8 person household	Less th

To see if you qualify for the A Armida Alvillar at 387-5231 to sch Email: aalvillar@ajochc.org

The Ajo Health Plan is supported by a grant from the U.S. and the Arizona Department of

Desert Senita Communi

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